

**CITY OF SHIVELY, KENTUCKY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Overview of the Financial Statements

The following discussion and analysis provides an overview of the City of Shively's financial activities for the year ended June 30, 2020 and should be read in conjunction with the City's financial statements, starting on page 10. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements: the statement of net position and the statement of activities.

The statement of net position presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, and the Police Forfeiture Fund, all of which are considered to be major funds.

The City adopts an annual legally appropriated budget for the General Fund and Road Fund. A budgetary comparison statement has been provided for all three funds to demonstrate compliance with the budgets.

The governmental fund financial statements can be found on pages 12-14 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-39 of this report.

## FINANCIAL COMPARISONS

The following condensed financial information has been derived from the government-wide financial statements for the fiscal years ending June 30, 2020 and 2019. The two-year comparisons are organized in the following:

### Statement of Net Position

Revenues

Expenses

Excess/Deficiency of Revenues over Expenses

Change in Net Position

Capital Assets

### Statement of Net Position

Total net position decreased \$5,226,010 during the year ending June 30, 2020. One method used to determine the City's financial health in the short term is to compare current assets to current liabilities. Current assets exceed current liabilities and deferred inflow of resources by \$16,885,942 or a ratio of approximately 2.22 to 1. This indicator clearly points out that the City has sufficient capacity to service its current debt.

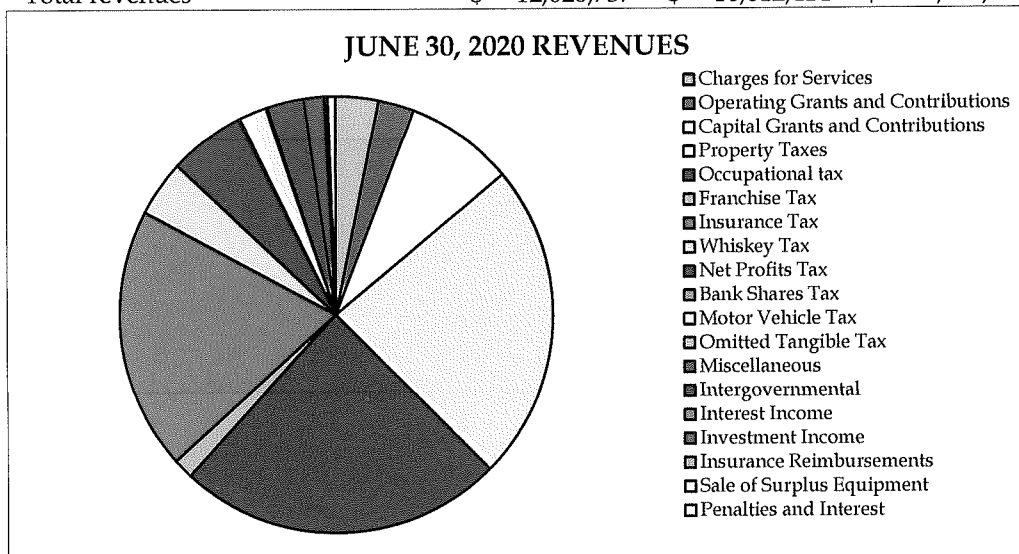
	<u>2020</u>	<u>2019</u>	<u>Positive (Negative) Variance</u>
Assets			
Current assets	\$ 6,525,826	\$ 8,358,682	\$ (1,832,856)
Capital assets, net of accumulated depreciation	<u>6,915,414</u>	<u>5,968,349</u>	<u>947,065</u>
Total Assets	13,441,240	14,327,031	(885,791)
Deferred Outflow of Resources	<u>8,997,376</u>	<u>7,563,087</u>	<u>1,434,289</u>
Liabilities			
Current liabilities	777,437	749,966	(27,471)
Noncurrent liabilities	<u>27,390,745</u>	<u>21,871,482</u>	<u>(5,519,263)</u>
Total Liabilities	28,168,182	22,621,448	(5,546,734)
Deferred Inflow of Resources	2,159,000	1,891,226	(267,774)
Net Position			
Invested in Capital Assets	6,915,414	5,968,349	947,065
Restricted - Roads	40,663	67,788	(27,125)
Restricted -Police Programs	37,360	56,992	(19,632)
Unrestricted	<u>(14,882,003)</u>	<u>(8,715,685)</u>	<u>(6,166,318)</u>
Total Net Position	\$ (7,888,566)	\$ (2,622,556)	\$ (5,266,010)

## FINANCIAL COMPARISONS (CONTINUED)

### Revenues

Total governmental revenues are derived from several sources. However, the three primary sources of revenues are occupational taxes, insurance premium taxes, and property taxes. These three sources represent 70% of the City's total revenues. Total revenues increased by \$2,008,323.

	2020	2019	Positive (Negative) Variance
Revenues			
Program Revenues:			
Charges for Services	\$ 384,506	\$ 359,756	\$ 24,750
Operating Grants and Contributions	323,407	181,704	141,703
Capital Grants and Contributions	977,169	118,248	858,921
Total program revenues	1,685,082	659,708	1,025,374
General Revenues:			
Property Taxes	2,843,557	2,385,096	458,461
Occupational tax	2,930,695	2,333,321	597,374
Franchise Tax	182,641	290,814	(108,173)
Insurance Tax	2,350,055	2,273,016	77,039
Whiskey Tax	503,412	586,004	(82,592)
Net Profits Tax	681,734	505,922	175,812
Bank Shares Tax	17,799	45,856	(28,057)
Motor Vehicle Tax	243,929	282,004	(38,075)
Omitted Tangible Tax	15,467	2,048	13,419
Miscellaneous	-	205	(205)
Intergovernmental	329,106	288,741	40,365
Interest Income	483	1,156	(673)
Investment Income	182,574	225,167	(42,593)
Insurance Reimbursements	7,037	37,696	(30,659)
Sale of Surplus Equipment	(22,895)	31,451	(54,346)
Penalties and Interest	70,061	64,209	5,852
Total general revenues	10,335,655	9,352,706	982,949
Total revenues	\$ 12,020,737	\$ 10,012,414	\$ 2,008,323

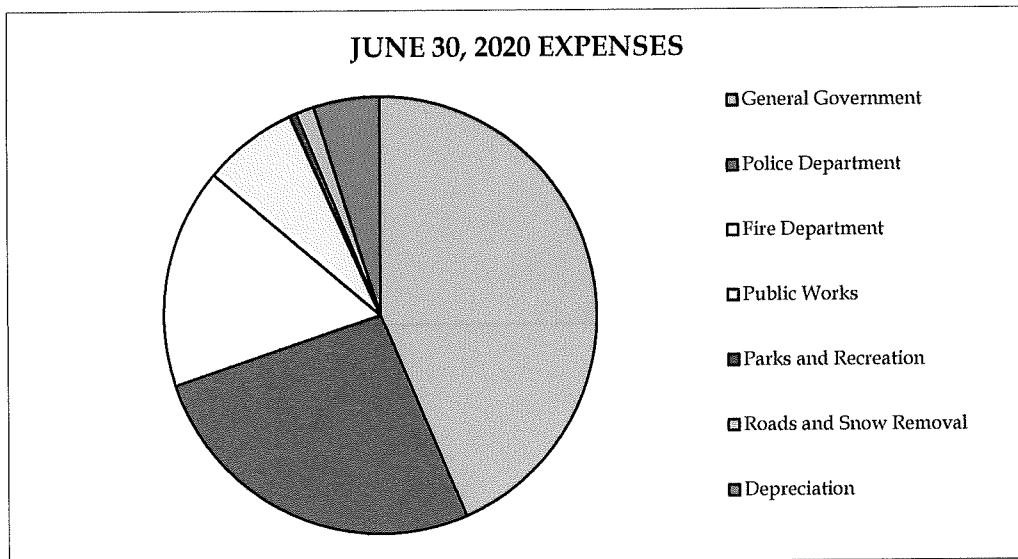


## FINANCIAL COMPARISONS (CONTINUED)

### Expenses

Total Governmental expenses increased by \$2,126,617 compared to the prior year. Police Department, Fire Department, and Public Works experienced a moderate increase in expenditures. Major increase in general government due to net increase in pension liability in 2020.

	2020	2019	Positive (Negative) Variance
Expenses			
Program Expenses:			
General Government	\$ 7,529,674	\$ 4,649,396	\$ (2,880,278)
Police Department	4,538,696	4,965,133	426,437
Fire Department	2,822,734	3,089,745	267,011
Public Works	1,227,078	1,286,738	59,660
Parks and Recreation	91,474	166,231	74,757
Roads and Snow Removal	233,868	203,183	(30,685)
Depreciation	843,221	799,702	(43,519)
Total program expenses	\$ 17,286,745	\$ 15,160,128	\$ (2,126,617)



## FINANCIAL COMPARISONS (CONTINUED)

### Excess / (Deficiency) of Revenues over Expenditures

This information represents the "bottom line" from a revenue-expense standpoint. Expenses exceeded revenues by \$5,266,110. This represents the decrease in the net worth of the city.

	2020	2019	Positive (Negative) Variance
Total Revenues	\$ 12,020,737	\$ 10,012,414	\$ 2,008,323
Total Expenses	17,286,747	15,160,128	(2,126,619)
Excess of Revenues Over Expenses	<u>\$ (5,266,010)</u>	<u>\$ (5,147,714)</u>	<u>\$ (118,296)</u>

### Change in Net Position

Another way to view the financial condition of the City is Change in net position. Ending net position decreased by \$5,266,010.

	2020	2019
Beginning Net Position	\$ (2,622,556)	\$ 2,525,158
Increase (Decrease) in Net Assets	<u>(5,266,010)</u>	<u>(5,147,714)</u>
Ending Net Position	<u>\$ (7,888,566)</u>	<u>\$ (2,622,556)</u>

### Capital Asset Administration

For the year ended June 30, 2020, the City showed a net increase in capital assets of \$947,065 compared to the previous year. The increase is due to \$1,813,180 in capital asset additions and depreciation expense of \$843,221 for the year. The City's \$6,915,414 in capital assets includes buildings, improvements, equipment, vehicles, and infrastructure. Major additions of \$1,813,180 in capital assets *before* depreciation included the following:

Vehicles	\$ 525,277
Paving and sidewalks	1,273,853

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Governmental Activities:				
Buildings and Improvements	\$ 2,458,074	\$ -	\$ 33,000	\$ 2,425,074
Vehicles	5,156,178	525,277	986,012	4,695,443
Equipment	2,082,343	14,050	671,909	1,424,484
Furniture and Fixtures	43,497	-	-	43,497
Infrastructure	5,054,605	1,273,853	-	6,328,458
Totals at Historical Cost	14,794,696	1,813,180	1,690,921	14,916,956
Less Accumulated Depreciation	<u>(8,826,347)</u>	<u>(843,221)</u>	<u>(1,668,026)</u>	<u>(8,001,542)</u>
Net Capital Assets	<u>\$ 5,968,349</u>	<u>\$ 969,959</u>	<u>\$ 22,895</u>	<u>\$ 6,915,414</u>

## FINANCIAL COMPARISONS (CONTINUED)

### General Fund Budgetary Highlights

General fund revenues of \$11,600,616 were \$330,002 more than the \$11,270,614 budgeted. General fund revenues with positive revenue variances within investment income and insurance tax revenues. Revenue sources with budget shortfalls included governmental grants and whiskey tax.

For the year ended June 30, 2020, general fund expenditures \$13,236,450 were \$99,207 less than the \$13,362,657 budgeted. Actual expenditures were less than budgeted expenditures primarily due to expenditures being under budget in the fire department.

### PENSION LIABILITY

The City implemented the required reporting standard from the Governmental Accounting Standards Board (GASB) that resulted in significant changes in financial reporting for starting in FY 2015. GASB No. 68 and 75 - Accounting and Financial Reporting for Pensions- required the City, to record its proportionate share of the County Employees' Retirement System's (CERS) net pension liability. The City has recorded a net pension liability of approximately \$27.8 million as well as related deferred outflows and inflows of resources as a result of the standard.

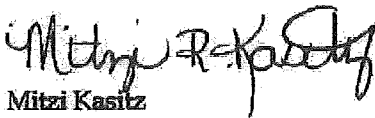
### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and provide accountability for the money it receives. For questions about this report or any additional information, please contact the City Clerk's office at 3920 Dixie Highway, Shively, Kentucky 40216.

Respectfully submitted,



Beverly Chester Burton  
Mayor



Mitzi Kasitz  
City Clerk



# STUEDLE SPEARS & COMPANY PSC

CERTIFIED PUBLIC ACCOUNTANTS

2821 S. Hurstbourne Parkway  
Louisville, KY 40220  
Phone: 502.491.5253 · Fax: 502.491.5270

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council  
City of Shively, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each fund, of the City of Shively, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each fund, of the City of Shively, Kentucky, as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-6 and budgetary comparison information, net pension liability, and retirement system contributions on pages 42-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Shively, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2020 on our consideration of the City of Shively, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Shively, Kentucky's internal control over financial reporting and compliance.

*Stuedle Spears & Company PSC*

STUEDLE SPEARS & COMPANY PSC

November 17, 2021

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide financial statements

Fund financial statements:

- Governmental funds
- Fiduciary fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,411,655	\$ 2,411,655
Investments	2,443,058	2,443,058
Accounts Receivable	1,671,113	1,671,113
Total Current Assets	<u>6,525,826</u>	<u>6,525,826</u>
Noncurrent Assets:		
Capital Assets (Net)	<u>6,915,414</u>	<u>6,915,414</u>
Total Noncurrent Assets	<u>6,915,414</u>	<u>6,915,414</u>
Total Assets	<u>13,441,240</u>	<u>13,441,240</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Pension Plan Outstanding Balance of Deferred Outflow of Resources	<u>8,997,376</u>	<u>8,997,376</u>
Total Assets and Deferred Outflows of Resources	<u><u>22,438,616</u></u>	<u><u>22,438,616</u></u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	-	-
Accrued Payroll Liabilities	387,463	387,463
Refundable Deposits	-	-
Total Current Liabilities	<u>387,463</u>	<u>387,463</u>
Noncurrent Liabilities		
Net Pension Liability	<u>27,390,745</u>	<u>27,390,745</u>
Total Noncurrent Liabilities		
Total Liabilities	<u>27,778,208</u>	<u>27,778,208</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Differences On Earnings of Pension Plan Investments	2,159,000	2,159,000
Delinquent Property Taxes	389,974	389,974
Total Deferred Inflow of Resources	<u>2,548,974</u>	<u>2,548,974</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	6,915,414	6,915,414
Restricted for Roads	40,663	40,663
Restricted for Police Programs	37,360	37,360
Unrestricted	<u>(14,882,003)</u>	<u>(14,882,003)</u>
Total Net Position	<u>(7,888,566)</u>	<u>(7,888,566)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 22,438,616</u></u>	<u><u>\$ 22,438,616</u></u>

See accompanying notes to the basic financial statements

**CITY OF SHIVELY, KENTUCKY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Revenue Primary Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government	\$ 7,529,674	\$ 112,032	\$ 977,169	\$ -	\$ (6,440,473)
Police Department	4,538,696	213,874	-	203,929	(4,120,893)
Fire Department	2,822,734	-	-	119,478	(2,703,256)
Public Works	1,227,078	21,705	-	-	(1,205,373)
Parks and Recreation	91,474	36,895	-	-	(54,579)
Streets and Snow Removal	233,868	-	-	-	(233,868)
Unallocated Depreciation	843,221	-	-	-	(843,221)
Total Governmental Activities	17,286,745	384,506	977,169	323,407	(15,601,663)
Total Primary Government	\$ 17,286,745	\$ 384,506	\$ 977,169	\$ 323,407	\$ (15,601,663)
General Revenues:					
Taxes:					
Occupational Tax				\$	2,930,695
Property Taxes					2,843,557
Franchise Taxes					182,641
Insurance Tax					2,350,055
Whiskey Tax					503,412
Net Profits Tax					681,734
Bank Shares					17,799
Motor Vehicles					243,929
Omitted Tangible Taxes					15,467
Other					-
Intergovernmental					329,106
Interest Income					483
Investment Income					182,574
Insurance Reimbursement					7,037
Sale of Surplus Equipment					(22,895)
Penalties and Interest					70,061
Total General Revenues					10,335,655
Change in Net Assets					(5,266,008)
Net Position - beginning of year					(2,622,556)
Net Position - June 30, 2020				\$	(7,888,564)

See accompanying notes to the basic financial statements

**CITY OF SHIVELY, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,329,371	\$ 40,663	\$ 41,621	\$ 2,411,655
Investments	2,443,058	-	-	2,443,058
Accounts Receivable	1,281,139	-	-	1,281,139
Total Assets	<u>\$ 6,053,568</u>	<u>\$ 40,663</u>	<u>\$ 41,621</u>	<u>\$ 6,135,852</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Payroll Liabilities	387,463	-	-	387,463
Refundable Deposits	-	-	-	-
Total Liabilities	<u>387,463</u>	<u>-</u>	<u>-</u>	<u>387,463</u>
<b>FUND BALANCE</b>				
Restricted for:				
Road Maintenance	-	40,663	-	40,663
Police Department	-	-	41,621	41,621
Unassigned, reported in:				
General Fund	<u>5,666,105</u>	<u>-</u>	<u>-</u>	<u>5,666,105</u>
Total Fund Balance	<u>5,666,105</u>	<u>40,663</u>	<u>41,621</u>	<u>5,748,389</u>
Total Liabilities and Fund Balance	<u>\$ 6,053,568</u>	<u>\$ 40,663</u>	<u>\$ 41,621</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 8,001,542.	6,915,414
Deferred inflows of resources are recognized in the government-wide financial statements, but are not recognized in the governmental fund financial statements	(2,159,000)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Net pension liability	<u>(18,393,369)</u>
Net assets of Governmental Activities	<u>\$ (7,888,566)</u>

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>General Fund</b>	<b>Road Maintenance Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property Taxes	\$ 2,843,553	\$ -	\$ -	\$ 2,843,553
Occupational Tax	2,930,695	-	-	2,930,695
Franchise Tax	182,641	-	-	182,641
Insurance Tax	2,350,055	-	-	2,350,055
Whiskey Taxes	503,412	-	-	503,412
Net Profits Tax	681,734	-	-	681,734
Bank Shares Tax	17,799	-	-	17,799
Motor Vehicle Taxes	243,929	-	-	243,929
Omitted Tangible Taxes	15,467	-	-	15,467
Intergovernmental	1,300,576	329,106	-	1,629,682
License and Permits	64,101	-	-	64,101
Charges for Services	169,610	-	-	169,610
Forfeitures	-	-	113,900	113,900
Interest Income	477	2	4	483
Rental Income	36,895	-	-	36,895
Insurance Reimbursement	7,037	-	-	7,037
Penalties and Interest	70,061	-	-	70,061
Investment Income	182,574	-	-	182,574
Total Revenue	11,600,616	329,108	113,904	12,043,628
<b>EXPENDITURES</b>				
General Government	3,176,926	-	-	3,176,926
Police Department	4,599,518	-	129,275	4,728,793
Fire Department	2,822,734	-	-	2,822,734
Public Works	2,572,796	-	-	2,572,796
Parks and Recreation	91,474	-	-	91,474
Streets and Snow Removal	-	511,231	-	511,231
Total Expenditures	13,263,448	511,231	129,275	13,903,954
Change in Fund Balance	(1,662,832)	(182,123)	(15,371)	(1,860,326)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to/from General Fund	(154,997)	154,997	-	-
Total Other Financing Sources (Uses)	(154,997)	154,997	-	-
Net Change in Fund Balance	(1,817,829)	(27,126)	(15,371)	(1,860,326)
Fund balances-Beginning of year	\$ 7,483,936	\$ 67,789	\$ 56,992	\$ 7,608,717
Fund balances-Ending	\$ 5,666,107	\$ 40,663	\$ 41,621	\$ 5,748,391

See accompanying notes to the basic financial statements

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Reconciliation of the net changes in fund balances - Total Governmental Funds to the change in net assets of governmental activities:

Net change in fund balances - Total Governmental Funds	\$ (1,860,326)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	1,813,180
Loss on disposal of assets	(22,895)
Depreciation expense	<u>(843,221)</u>
	947,064

Net deferred inflows/outflows related to the long-term pension liability are not reported in the funds.	(4,352,746)
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Change in Net Assets of Governmental Activities	<u><u>\$ (5,266,008)</u></u>
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**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF FIDUCIARY NET POSITION-CONFISCATED FUNDS**  
**JUNE 30, 2020**

	<u>2020</u>
<b>ASSETS</b>	
Cash	\$ <u>215,435</u>
Total Assets	215,435
<b>LIABILITIES</b>	
Liabilities	<u>-</u>
Total Liabilities	-
<b>FIDUCIARY NET POSITION</b>	
Restricted -Disposition by Court Order	<u>215,435</u>
Total Net Position	<u>215,435</u>
Total Liabilities and Fiduciary Net Position	\$ <u><u>215,435</u></u>

See accompanying notes to the basic financial statements

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-CONFISCATED FUNDS**  
**JUNE 30, 2020**

	<u>2020</u>
<b>REVENUES</b>	
Confiscated funds	\$ <u>110,938</u>
Total Revenues	110,938
 <b>EXPENDITURES</b>	
Forfeited to the City of Shively	78,812
Returned to Defendant	<u>708</u>
Total Expenditures	<u>79,520</u>
Excess (deficit) of revenues over expenditures	31,418
 <b>FIDUCIARY NET POSITION</b>	
Beginning of Year	<u>184,017</u>
End of year	\$ <u><u>215,435</u></u>

See accompanying notes to the basic financial statements

**CITY OF SHIVELY, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City's financial statements are prepared in accordance with accounting principles generally accepted in the U.S (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

**1.A. FINANCIAL REPORTING ENTITY**

The City of Shively, Kentucky (the City) is a home rule city located in Jefferson County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following services authorized by its charter: public safety, public works, recreation, and community development. Primary revenue sources are property taxes, occupational taxes, insurance premium taxes, business licenses, municipal road aid, and base court revenue. Those revenues susceptible to accrual are property taxes, occupational taxes, insurance premium taxes and municipal road aid.

All significant activities and organizations on which the City of Shively, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2020. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial Interdependency - The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority - The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions and accountable for the decisions it makes.

Ability to significantly influence operations - The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. The authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters - The responsibility and accountability over all funds is vested in the City Council.

Following consideration of the above criteria, no additional entities are deemed to be component units of the City.

**1.B. BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the City accompanied by a total column.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.B. BASIS OF PRESENTATION (CONTINUED)**

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. As of June 30, 2020 the City did not have any business-type activities.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 % of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 % of the corresponding total for all governmental funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Road Fund is presented as a special revenue fund.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.B. BASIS OF PRESENTATION (CONTINUED)**

*Fiduciary Fund*

Fiduciary funds report on those resources held in a trust of custodial capacity for individuals, private organizations, or other governments. The city's agency fund is used to account for monies held by the city in the Police Seized Fund for custodial purposes only. The city reports the following fiduciary fund: Police Seized Funds- This fund accounts for funds confiscated from defendants held as evidence until a decision on the disposition of the funds is made in court.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Encumbrances**

The City does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

**Budgets and the Budgetary Process**

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets and budget amendments for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**1.D. ASSETS, LIABILITIES, AND EQUITY**

**Cash and Cash Equivalents**

The City considers all cash in bank and highly liquid investments with a maturity of ninety days or less to be cash and cash equivalents.

**Investments**

Investments of the primary government are valued at fair market value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investments of the City comply with the Kentucky Revised Statutes 66.480 concerning the types of investments allowed.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year end, but not yet received. Major receivable balances for the government activities primarily include property taxes, occupational taxes, and insurance taxes.

In the fund financial statements, material receivables in government funds include revenue accruals such as property tax, occupational tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions, collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but are not deferred in the government-wide financial statements in accordance with the accrual basis of accounting.

The amounts recorded as accounts receivable on both the city-wide statement of assets liabilities and fund balance and the governmental funds balance sheet represent amounts received within 60 days from the close of the year. No provision has been made for the possibility of future collections due to an inability to accurately determine any such amounts. Management believes any such amounts if determinable would not be material to the financial statements.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

**Fixed Assets**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to only capitalize future individual assets with a value of \$5,000 or greater. Fixed assets are not reported in the fund financial statements.

Prior to June 30, 2003, governmental funds' infrastructure assets were not required to be capitalized by the City nor were these assets capitalized by the City. Beginning on July 1, 2004 the City is required to keep a record of all infrastructure assets placed in service from that date forward.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with related accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Vehicles	5 to 10 years
Equipment	5 to 15 years
Furniture and Fixtures	5 to 10 years
Infrastructure	10 to 25 years

**Inventories**

Disbursements for inventory type items are considered expenditures at the time of purchase.

**Due to and Due from Other Funds**

Activities between funds that are representative outstanding balances at the end of the fiscal year are referred to as either "due to/from other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. As of June 30, 2020, the City did not have any interfund receivables or payables.

**Accounts Payable**

Accounts payable consists of trades payable to vendors who provide goods and services to the City.

**Compensated Absences**

Employees who retire from the City in good standing may elect to have any accumulated sick leave be paid to them in the form of taxable compensation. As of the date of the report, accurate figures were not available to record the liability associated with existing employees who were eligible to but had not exercised this benefit. The amount in question is anticipated to be significant but not material to the financial statements. No provision is made in these financial statements for these amounts due to the inability to determine which if any of these individuals might remain employed by the City until such time they may become eligible to qualify for these benefits or whether eligible sick leave may be used prior to becoming eligible for this benefit.



**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

**Equity Classifications**

**Government-wide Statements:**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consist of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Fund Financial Statements:**

The City of Shively adopted GASB 54, Fund Balance Reporting and governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

*Nonspendable* — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — amounts that can be used only for specific purposes determined by a formal action of the City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

*Assigned* — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Mayor or designee may assign amounts for specific purposes.

*Unassigned* — all other spendable amounts.

**1.E. REVENUES, EXPENDITURES, AND EXPENSES**

**Property Tax Revenue**

The City assesses property taxes on January 1st, and bills are due and payable October 1st, in the year assessed. All bills paid after October 1st are charged a 10% penalty per annum and 1/2% interest per month until collected. Property tax revenue is recognized when the bills become due and payable. Tax is assessed at a rate of .339 per \$100 valuations for real property and .363 per \$100 valuations for personal property based on the most available Property Valuation Office assessment.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.E. REVENUES, EXPENDITURES, AND EXPENSES (CONTINUED)**

**Occupational License Tax**

The City imposes a tax of 1.5% of wages on persons who work within the City of Shively in any business, profession, trade, or occupation. Such amounts are to be withheld from the employee's wages and remitted quarterly with a completed payroll tax return detailing total wages and tax withholdings.

**Gross Receipts and Net Profits Tax**

The City imposes a tax on the gross receipts of any business operating within the City. Under this ordinance, the minimum tax on gross receipts is \$50 and the maximum amount is \$590. The City also imposes a tax on the net profits of any business operating within the City in any capacity in the amount of 1.5%.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, governmental fund expenditures are classified by character: current, debt service, and capital outlay. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

**1.F. ESTIMATES**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the classifications and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2.A. DEPOSITS AND INVESTMENTS**

Under Kentucky Revised Statutes the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

The City invests surplus cash at local banks in the form of certificates of deposit, savings accounts, and money market accounts. These investments subject the City to custodial credit risk, which is the risk that in the event of bank failure the City's deposits may not be recovered. However, the City considers this risk immaterial, and as such, the City does not have a formal investment policy to deal with such risk.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**2.A. DEPOSITS AND INVESTMENTS (CONTINUED)**

The City of Shively, Kentucky categorizes deposits at local financial institutions to give an indication of the level of custodial credit risk assumed by the City at fiscal year end.

The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

Deposits categorized by level of risk at June 30, 2020 are as follows:

Account	Bank Balance	Category			Carrying Amount
		1	2	3	
Total	\$ 2,411,055	\$ -	\$ 2,411,055	\$ -	\$ 2,411,055

The following schedule presents the investments of the City as of June 30, 2020, at fair value, with maturities (using the segmented time distribution method):

Investment Type	Fair Value	Investment Maturities			
		Less Than 6 Months	1-5 Years	5-10 Years	Greater Than 10 Years
U.S. Government Money					
Money Market Funds	\$ 159,532	\$ 159,532	\$ -	\$ -	\$ -
Mutual Funds	253,207	253,207			
U.S. Treasury Obligations and Certificates of Deposit	2,030,319	852,432	1,177,887	-	-
Total	\$ 2,443,058	\$ 1,265,171	\$ 1,177,887	\$ -	\$ -

The City's investments are also subject to risks such as credit risk, interest rate risk, and concentration of credit risk, for which the City does not have any formal policies to address these risks. Credit risk is the risk the issuer or other counterparty to an investment will not fulfill its obligations. The investments listed above were rated AAA by Moody's Investor Services. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City has attempted to address this risk by diversifying the investments and their maturity dates to minimize the risk of loss. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has attempted to address this risk by purchasing investments that are secured by the United States Government.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**2.A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures", establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds, Mutual Funds, U.S. Treasury Obligations and Certificates of Deposit: Valued at the current market value at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2020.

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
U.S. Government Money				
Money Market Funds	\$ -	\$ 159,532	\$ -	\$ 159,532
Mutual Funds	253,207	-	-	253,207
U.S. Treasury Obligations and				
Certificates of Deposit	-	2,030,319	-	2,030,319
	<u>\$ 253,207</u>	<u>\$ 2,189,851</u>	<u>\$ -</u>	<u>\$ 2,443,058</u>

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.A. ACCOUNTS RECEIVABLE**

Receivable Type	Statement of Net Position Governmental Activities	Balance Sheet- Governmental Funds
Occupational Taxes	\$ 406,880	\$ 406,880
Insurance Premium Taxes Receivable	616,703	616,703
Property Taxes	426,026	36,052
Net Profits Tax	164,167	164,167
Motor Vehicle Taxes	49,412	49,412
Beer License Receivable	7,925	7,925
Total Receivables	<u>\$ 1,671,113</u>	<u>\$ 1,281,139</u>

**3.B. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Governmental activities:				
Buildings	\$ 2,458,074	\$ -	\$ 33,000	\$ 2,425,074
Vehicles	5,156,178	525,277	986,012	4,695,443
Equipment	2,082,343	14,050	671,909	1,424,484
Furniture and Fixtures	43,497	-	-	43,497
Infrastructure	<u>5,054,605</u>	<u>1,273,853</u>	<u>-</u>	<u>6,328,458</u>
Totals at historical cost	14,794,696	1,813,180	1,690,921	14,916,956
Less accumulated depreciation				
Buildings	(1,254,094)	(56,152)	(30,600)	(1,279,646)
Vehicles	(3,708,444)	(377,952)	(972,572)	(3,113,824)
Equipment	(1,792,451)	(138,034)	(664,854)	(1,265,631)
Furniture and Fixtures	(34,496)	(1,206)	-	(35,702)
Infrastructure	<u>(2,036,862)</u>	<u>(269,877)</u>	<u>-</u>	<u>(2,306,739)</u>
Total accumulated depreciation	(8,826,347)	(843,221)	(1,668,026)	(8,001,542)
Net capital assets	<u>\$ 5,968,349</u>	<u>\$ 969,959</u>	<u>\$ 22,895</u>	<u>\$ 6,915,414</u>

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4— OTHER NOTES**

**4.A. EMPLOYEE PENSION PLAN**

**Works Department**

As provided by the City's collective bargaining agreement with Teamsters Local Union Number 783, the City participates, with other employers, in the Teamster's Central States, Southeast and Southwest Areas Pension Plan. Under this agreement, the City contributed sixty one dollars per week on behalf of each Works Department Employee covered under this plan.

The City's total payroll for eligible employees during the fiscal year ended June 30, 2020 was \$419,234. The City made contributions to the plan in the amount of \$65,282 during the same period. This figure represents the total amount due during the fiscal year. No contributions attributable to services performed during the year ended June 30, 2020 have been deferred to future periods. No contributions made to this plan during the year ended June 30, 2020 are attributable to prior year service costs. Additional information regarding the performance or historical trend analysis of this plan should be available by contacting Teamsters Local Union Number 783.

**Fire, Police and City Hall Departments**

Plan Description- The City contributes to the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

CERS was created by the Kentucky General Assembly. Benefits are fully vested immediately upon reaching 60 months of service and are established by state statutes. Benefits of CERS members are calculated on the basis of age, final average salary and service credit. CERS also provides survivor, disability and health care coverage. Authority to establish and amend benefits is provided by Kentucky Revised Statutes Section 61.645.

For the fiscal year ended June 30, 2020 the City's covered payroll for hazardous and non-hazardous positions was \$563,650. Kentucky Revised Statutes provides authority for employee and employer contributions. Employees and the City have contributed all of the required contributions for the fiscal year ending June 30, 2020.

Contributions - For the year ended June 30, 2020, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. The City's contribution rate for non-hazardous employees was 24.06%, 21.48% and 19.18% for the years ended June 30, 2020, 2019 and 2018, respectively. The City's contribution rate for hazardous employees was 39.58%, 35.34% and 31.55% for the years ended June 30, 2020, 2019 and 2018, respectively.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4— OTHER NOTES(CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN(CONTINUED)**

**Fire, Police and City Hall Departments(CONTINUED)**

The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 4.A. Employee Pension Plan other postemployment benefits. Plan members contributed 19.30% to the pension trust for non-hazardous job classifications and 30.06% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

General information about County Employees Retirement System (CERS) The City of Shively is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2020, the City contributed \$192,775 for non-hazardous job classifications, and \$1,655,337 for hazardous job classifications, total \$1,848,112. The contributions are allocated to both the pension \$1,395,238 and insurance trusts \$452,874.

Benefits - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

**Fire, Police and City Hall Departments (CONTINUED)**

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability as follows:

Net Pension Liability - nonhazardous	\$ 2,045,772
Net Pension Liability - hazardous	19,605,668
Total	<u>\$ 21,651,440</u>

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

At June 30, 2020, the City reported a liability of \$21,651,440 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2019 was .02908% for non-hazardous and .7098% for hazardous.



**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

**Fire, Police and City Hall Departments (CONTINUED)**

For the year ended June 30, 2020, the City recognized pension expense of \$902,637. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ 885,834	\$ 8,644
Assumption Change	2,110,161	-0-
Investment Experience	340,871	651,321
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,520,321	-0-
City contributions subsequent to the measurement date	1,395,238	-0-
Total	<u>\$ 6,252,425</u>	<u>\$ 659,965</u>

The \$1,395,238 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2020	2,536,123
2021	1,213,277
2022	427,209
2023	20,012

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov)

*Actuarial Methods and Assumptions*

For financial reporting, the actuarial valuation as of June 30, 2019 was performed by Gabriel, Roeder, Smith & Company (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ended June 30, 2019, using generally accepted actuarial principles.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4— OTHER NOTES(CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN(CONTINUED)**

**Fire, Police and City Hall Departments (CONTINUED)**

There have been no changes in plan provisions since June 30, 2018, however, the Kentucky Employees Retirement Systems' Board of Trustees has adopted new actuarial assumptions since June 30, 2018. The total pension liability as of June 30, 2019, was determined using these updated assumptions.

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous (prior year assumptions - 3.05%)
Investment Rate of Return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non- Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best estimates ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
U.S. Equity	18.75%	4.30%
Non- U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/ High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	20.00%
Diversified Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	<u>6.25%</u>

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4— OTHER NOTES(CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN(CONTINUED)**

**Fire, Police and City Hall Departments (CONTINUED)**

*Discount Rate*

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1- percentage-point higher (7.25 percent) than the current rate:

Non-hazardous			Hazardous		
	Discount rate	City's proportionate share of net pension liability		Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	2,558,681	1% decrease	5.25%	24,511,484
Current discount rate	6.25%	2,045,772	Current discount rate	6.25%	19,605,668
1% increase	7.25%	1,618,268	1% increase	7.25%	15,583,606

Payable to the Pension Plan - At June 30, 2020, the City reported a payable of \$193,179 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. The payable includes both the pension and insurance contribution allocation.

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description*

Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

*Benefits Provided*

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4— OTHER NOTES(CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN(CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Contributions*

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City has contractually required contribution rate for the year ended June 30, 2020 was the 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. For the year ended June 30, 2020, contributions to the Insurance Fund from the City were \$47,230 for non-hazardous job classifications, and \$405,557, for hazardous job classifications. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

*Net OPEB Liability*

For financial reporting, the actuarial valuation as of June 30, 2019, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles.

There have been no changes in plan provisions since June 30, 2018, however, the Kentucky Employees Retirement Systems' Board of Trustees has adopted new actuarial assumptions since June 30, 2018. The total OPEB liability as of June 30, 2019, was determined using these updated assumptions.

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service, including inflation
Investment Rate of Return	6.25%
Healthcare Trend Rate	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate rate of 4.05% over 12 years
Post- 65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate rate of 4.05% over 10 years

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non- Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4— OTHER NOTES(CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN(CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Discount Rate**

The projection of cash flows used to determine the discount rate of 5.68% for nonhazardous and 5.69% for hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the Kentucky Retirement System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Kentucky Retirement System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the pension section above.

The long-term expected rate of return was determined by using a building-block method in which best- estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
U.S. Equity	18.75%	4.30%
Non- U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/ High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	20.00%
Diversified Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	<u>6.25%</u>

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4— OTHER NOTES(CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN(CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Sensitivity of the Net OPES Liability to Changes in the Discount Rate*

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate follows:

Non-hazardous			Hazardous		
		City's proportionate share of net OPEB liability			City's proportionate share of net OPEB liability
	Discount rate			Discount rate	
1% decrease	4.68%	655,210	1% decrease	4.69%	7,325,077
Current discount rate	5.58%	489,112	Current discount rate	5.59%	5,250,193
1% increase	6.68%	352,260	1% increase	6.69%	3,565,990

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates follows:

Non-hazardous			Hazardous		
		City's proportionate share of net OPEB liability			City's proportionate share of net OPEB liability
1% decrease		363,755	1% decrease		3,653,164
Current discount rate		489,112	Current discount rate		5,250,193
1% increase		641,123	1% increase		7,198,482

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4— OTHER NOTES(CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN(CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

Benefits - CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before July 1, 2003
	Insurance eligibility Benefit	10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date	Before September 1, 2008 but after July 1, 2003 10 years of service credit required
	Insurance eligibility Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date	After September 1, 2008 and before December 31, 2013 15 years of service credit required
	Insurance eligibility Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date	After December 31, 2013
	Insurance eligibility Benefit	15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources -At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Net OPEB Liability - nonhazardous	\$ 489,112
Net OPEB Liability - hazardous	5,250,193
Total	<u>\$ 5,739,305</u>

*OPEB Liabilities, OPEB Expense and Deferred Inflows of Resources Related to OPEB*

At June 30, 2020, the City reported a liability of \$5,739,305 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2019. This method to be reflective of the employers' long-term contribution effort. At June 30, 2019, the City's proportion was 0.02908% for nonhazardous and .709620% for hazardous.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4— OTHER NOTES(CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN(CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*OPEB Liabilities, OPEB Expense and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2020, the City recognized OPEB expense of \$452,874. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Expense	\$ -0-	\$ 1,124,284
Assumption Change	1,731,318	10,909
Investment Experience	39,099	362,675
Changes in proportion and differences between employer contributions and proportionate share of contributions	522,260	1,167
City contributions subsequent to the measurement date	452,874	-0-
Total	<u>\$ 2,745,551</u>	<u>\$ 1,499,035</u>

The \$452,874 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2020	484,077
2021	204,809
2022	30,666
2023	76,806
2024	(2,675)
Thereafter	(39)

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Those changes in net OPEB liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

**4.B. INTERGOVERNMENTAL REVENUE**

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for police and fire incentive training and other miscellaneous operating costs during the year ended June 30, 2020 that are recorded in the General Fund.



**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**4.C. LITIGATION**

The City is exposed to various legal proceedings incidental to the normal course of business. City Council is of the opinion, based upon the advice of general counsel, that although the outcome of such litigation cannot forecast with certainty, final disposition should not have a material effect on the financial position of the City.

The City is a party to several pending lawsuits that normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not, in the opinion of the City's Attorney, have a material adverse effect on the financial condition of the City.

**4.D. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage for each of the above risks of loss. Management believes that such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the three fiscal years.

**4.E. CONDUIT DEBT OBLIGATIONS**

During the fiscal year ended June 30, 2009, the city issued industrial revenue bonds in the amount of \$2,000,000 to New Millennium Development Company, LLC. The purpose of the issuance was so that the borrower could finance the costs of the construction and equipping of a manufacturing facility to be used for the manufacture of plastic injection molded parts. The City incurs no liability as part of this agreement.

During the fiscal year ended June 30, 2008, the city issued educational, cultural, and recreational revenue bonds in the amount of \$4,500,000 to Presentation Academy Foundation. The purpose of the issuance was so that the borrower could finance the costs associated with construction of a new arts and athletics center. The City incurs no liability as a part of this agreement.

During the fiscal year ended June 30, 2018, the city issued educational, cultural, and recreational revenue bonds in the amount of \$5,000,000 to St Francis DeSales High School. The purpose of the issuance was so that the borrower could finance the costs associated with construction of a multi-sport athletic facility. The City incurs no liability as a part of this agreement.

The City has no system in place to track the outstanding balances on these bond issues.

**4.F. - BUDGET**

The City did not exceed total budgeted appropriations in the fiscal year ended June 30, 2020. Variances did exist between individual line items.

**4.G.- SUBSEQUENT EVENTS**

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through November 17, 2021.

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**4.H.- COVID IMPACT**

During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The City continues to monitor the direct and indirect effects of COVID-19, which has led to closing of non-essential services and limitations for public assemblies. While the immediate and long-term financial impact cannot be reasonably estimated, management anticipates preparing amendments to future budget projects reflecting any significant changes in revenues, other activities affecting the City as a result of the coronavirus.

**4.G-RECENT GASB PRONOUNCEMENTS**

In June 2018, the GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" requiring that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement becomes effective for the fiscal year June 30, 2021. The District is evaluating the impact of this Statement on the combined financial statements.

GASB Statement No. 87, Leases, will be effective for reporting periods beginning after December 15, 2019. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In May 2019, the GASB issued Statement No. 91 "Conduit Debt Obligations" requiring a single method of reporting conduit debt obligations by issuers and eliminating diversity in practice associated with related obligations, commitments, and footnote disclosures. This Statement becomes effective for the fiscal year June 30, 2022. The District is evaluating the impact of this Statement on the combined financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules - General Fund, Road Maintenance Fund, and Police Forfeiture Fund.

Schedule of City's Proportionate Share of Net Pension Liability County Employees Retirement System

Schedule of City's Contributions County Employees Retirement System

Schedule of City's Proportionate Share of Net OPEB Liability County Employees Retirement System

Schedule of City's Contributions County Employees Retirement System OPEB

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL- GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES</u></b>				
Taxes:				
Property Taxes- Individuals	\$ 2,674,464	\$ 2,674,464	\$ 2,702,745	\$ 28,281
Property Taxes- Businesses	200,000	200,000	140,808	(59,192)
Occupational Tax	2,800,000	2,800,000	2,930,695	130,695
Franchise Tax	153,000	153,000	182,641	29,641
Insurance Tax	2,200,000	2,200,000	2,350,055	150,055
Whiskey Taxes	675,000	675,000	503,412	(171,588)
Net Profits Tax	575,000	575,000	681,734	106,734
Bank Shares Tax	50,000	50,000	17,799	(32,201)
Motor Vehicle Taxes	260,000	260,000	243,929	(16,071)
Omitted Tangible Taxes	5,000	5,000	15,467	10,467
Intergovernmental:				
Base Court Revenue	20,000	20,000	18,480	(1,520)
Intergovernmental Grants	1,099,000	1,099,000	977,169	(121,831)
Police Incentive	126,000	126,000	185,449	59,449
Fire Incentive	86,000	86,000	119,478	33,478
License and Permits:				
Liquor License	50,000	50,000	63,101	13,101
Flea Market License	7,000	7,000	-	(7,000)
Charges for Services:				
Miscellaneous Services	38,500	38,500	68,437	29,937
Compliance Fee	3,000	3,000	1,199	(1,801)
Fines	107,000	107,000	99,974	(7,026)
Other Income				
Recycling Rebates	1,000	1,000	-	(1,000)
Miscellaneous Revenue	30,000	30,000	-	(30,000)
Interest Income	2,150	2,150	477	(1,673)
Rental Income	50,000	50,000	36,895	(13,105)
Insurance Reimbursement	-	-	7,037	7,037
Penalties and Interest:				
Property Taxes	54,000	54,000	66,504	12,504
Occupational Tax	1,500	1,500	3,557	2,057
Investment Income	-	-	182,574	182,574
Total Revenues before Prior				
Year Fund Balance	\$ 11,270,614	\$ 11,270,614	\$ 11,600,616	\$ 330,002

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL- GENERAL FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
<u>EXPENDITURES</u>				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
General Government:				
Mayor and Council Payroll	\$ 68,000	\$ 68,000	\$ 43,858	\$ 24,142
Administrative Salaries	75,500	75,500	75,620	(120)
Hourly Salaries	215,000	215,000	268,820	(53,820)
Part-Time Salaries	73,640	73,640	49,354	24,286
Overtime Pay	5,000	5,000	1,517	3,483
Longevity Pay	2,780	2,780	525	2,255
Occupational Tax Refunds	15,000	15,000	16,367	(1,367)
Property Tax Refunds	15,000	15,000	42,784	(27,784)
Pension Expense	30,000	30,000	173,450	(143,450)
Health and Life Insurance	1,353,880	1,353,880	1,507,143	(153,263)
Payroll Taxes	35,000	35,000	31,583	3,417
Utilities	48,000	48,000	27,111	20,889
Legal and Professional	40,000	40,000	128,007	(88,007)
Insurance	589,000	589,000	580,771	8,229
Equipment Rental and Maintenance	20,000	20,000	16,871	3,129
Bank Charges	5,000	5,000	30,884	(25,884)
Flowers and Donations	3,000	3,000	1,241	1,759
PVA Fee	41,000	41,000	38,692	2,308
General Supplies	28,000	28,000	19,155	8,845
Equipment Repairs	2,000	2,000	1,009	991
Building Repairs	25,000	25,000	30,476	(5,476)
Postage	15,000	15,000	13,889	1,111
Vehicle Maintenance and Repairs	2,000	2,000	759	1,241
Gas and Oil	3,000	3,000	11,133	(8,133)
Dues and Subscriptions	10,000	10,000	4,707	5,293
Advertising	6,000	6,000	1,887	4,113
Travel and Training	2,000	2,000	2,619	(619)
Miscellaneous	200	200	49,466	(49,266)
Equipment Purchase	10,000	10,000	1,644	8,356
Clothing Allowance	5,000	5,000	4,294	706
Discretionary Fund- Mayor	2,500	2,500	-	2,500
Discretionary Fund- Council	9,000	9,000	1,290	7,710
Total General Government	\$ 2,754,500	\$ 2,754,500	\$ 3,176,926	\$ (422,426)

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL- GENERAL FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Police Department Expenditures:				
Administrative Salaries	\$ 186,000	\$ 186,000	\$ 105,094	\$ 80,906
Hourly Salaries	1,755,600	1,755,600	2,240,221	(484,621)
Part-Time Salaries	-	-	7,579	(7,579)
Overtime Pay	50,000	50,000	47,482	2,518
Longevity Pay	1,500	1,500	2,325	(825)
Supplemental Pay	136,000	136,000	131,542	4,458
Court Pay	45,000	45,000	31,518	13,482
Pension Expense	781,000	781,000	940,831	(159,831)
Payroll Taxes	155,000	155,000	192,714	(37,714)
Utilities	67,000	67,000	76,311	(9,311)
Legal and Professional	15,000	15,000	8,190	6,810
Equipment Rental and Maintenance	60,000	60,000	82,581	(22,581)
Office and General Supplies	15,000	15,000	24,142	(9,142)
Equipment Repairs and Maintenance	36,000	36,000	12,622	23,378
Building Repairs	10,000	10,000	2,849	7,151
Postage	700	700	(1,451)	2,151
Vehicle Maintenance and Repairs	54,000	54,000	42,045	11,955
Gas and Oil	100,000	100,000	80,960	19,040
Tires and Batteries	15,000	15,000	7,248	7,752
Investigations	5,000	5,000	3,229	1,771
Dues and Subscriptions	5,000	5,000	4,422	578
Advertising	2,000	2,000	1,053	947
Travel and Training	12,000	12,000	21,288	(9,288)
Miscellaneous	500	500	-	500
Equipment Purchase	90,000	90,000	14,547	75,453
Clothing Allowance	115,000	115,000	154,262	(39,262)
Vehicle Purchase	100,000	100,000	81,686	18,314
Dispatch Salaries	280,000	280,000	277,242	2,758
Dispatch Overtime	15,000	15,000	6,986	8,014
Total Police Department	\$ 4,107,300	\$ 4,107,300	\$ 4,599,518	\$ (492,218)

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL- GENERAL FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
<b><u>EXPENDITURES (CONTINUED)</u></b>				
Fire Department Expenditures:				
Administrative Salaries	\$ 81,975	\$ 81,975	\$ 82,556	\$ (581)
Advertising	2,000	2,000	-	2,000
Building Repairs	12,000	12,000	6,650	5,350
Commissary	3,312	3,312	3,036	276
Dues and Subscriptions	1,500	1,500	333	1,167
Equipment Purchase	40,000	40,000	8,983	31,017
Equipment Rental and Maintenance	7,000	7,000	5,357	1,643
Equipment Repairs and Maintenance	7,000	7,000	2,497	4,503
Fire Prevention Programs	2,000	2,000	-	2,000
Fire Runs	3,000	3,000	2,745	255
Gas and Oil	16,000	16,000	17,186	(1,186)
General Supplies	7,500	7,500	3,996	3,504
Hourly Salaries	1,070,870	1,070,870	1,083,610	(12,740)
Legal and Professional	12,000	12,000	9,791	2,209
Longevity Pay	1,160	1,160	5,685	(4,525)
Miscellaneous	750	750	120	630
Overtime Pay	674,970	674,970	565,376	109,594
Payroll Taxes	147,425	147,425	126,375	21,050
Pension	762,735	762,735	709,555	53,180
Postage	200	200	-	200
Supplemental Pay	100,995	100,995	94,157	6,838
Tires and Batteries	7,000	7,000	5,305	1,695
Travel and Training	4,000	4,000	885	3,115
Utilities	37,000	37,000	24,576	12,424
Vehicle Maintenance and Repairs	40,000	40,000	30,001	9,999
Clothing Allowance	37,215	37,215	33,959	3,256
Total Fire Department	\$ 3,479,607	\$ 3,479,607	\$ 2,822,734	\$ 656,873

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL- GENERAL FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
<u>EXPENDITURES (CONTINUED)</u>				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Public Works Expenditures:				
Administrative Salaries	\$ 142,000	\$ 142,000	\$ 194,050	\$ (52,050)
Hourly Salaries	448,500	448,500	462,091	(13,591)
Overtime Pay	5,000	5,000	75	4,925
Longevity Pay	3,200	3,200	3,180	20
Pension	101,550	101,550	79,618	21,932
Payroll Taxes	45,000	45,000	48,574	(3,574)
Utilities	15,000	15,000	10,094	4,906
Legal and Professional	4,000	4,000	3,918	82
Equipment Rental and Maintenance	10,000	10,000	12,576	(2,576)
General Supplies	15,000	15,000	21,891	(6,891)
Building Repairs	3,000	3,000	508	2,492
Uniform Rentals	17,000	17,000	17,958	(958)
Vehicle Maintenance and Repairs	30,000	30,000	36,507	(6,507)
Gas and Oil	60,000	60,000	59,051	949
Tires and Batteries	10,000	10,000	16,053	(6,053)
Dues and Subscriptions	100	100	125	(25)
Advertising	1,000	1,000	-	1,000
Travel and Training	100	100	50	50
Miscellaneous	500	500	563	(63)
Equipment Purchase	325,000	325,000	10,995	314,005
Vehicle Purchases	-	-	271,488	(271,488)
Transfers In	110,000	110,000	-	110,000
Garbage Disposal	205,000	205,000	229,830	(24,830)
Drainage Repairs	100,000	100,000	19,371	80,629
Sidewalk Project	1,064,000	1,064,000	1,074,230	(10,230)
Total Public Works Department	\$ 2,714,950	\$ 2,714,950	\$ 2,572,796	\$ 142,154
Parks and Recreation Expenditures:				
Utilities	\$ 2,000	\$ 2,000	\$ 842	\$ 1,158
Equipment Parts and Repair	5,000	5,000	1,140	3,860
General Supplies	20,000	20,000	11,935	8,065
Building Repairs	5,000	5,000	-	5,000
Miscellaneous	15,000	15,000	497	14,503
Capital Improvements	126,000	126,000	8,157	117,843
Festival Expense	83,300	83,300	26,572	56,728
Community Building Expense	50,000	50,000	42,331	7,669
Total Parks Department	\$ 306,300	\$ 306,300	\$ 91,474	\$ 214,826



**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL- GENERAL FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
<u>EXPENDITURES (CONTINUED)</u>				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Total Expenditures	\$ 13,362,657	\$ 13,362,657	\$ 13,263,448	\$ 99,209
Excess of Revenues over Expenditures	(2,092,043)	(2,092,043)	(1,662,832)	(429,211)
Other Financing Sources				
Transfer to/from General Fund	-	-	(154,997)	(154,997)
Total Other Financing Sources	-	-	(154,997)	(154,997)
Excess of Revenues and Other Financing Sources Over Expenditures	(2,092,043)	(2,092,043)	(1,817,829)	(274,214)
Fund Balance, Beginning (Non-GAAP Budgetary Basis)	2,137,000	2,137,000	7,483,936	7,483,936
Fund Balance, Ending (Non-GAAP Budgetary Basis)	\$ (2,092,043)	\$ (2,092,043)	\$ 5,666,107	

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL- ROAD FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b><u>REVENUES</u></b>				
Municipal Road Aid				
Municipal Road Aid	\$ 570,000	\$ 570,000	\$ 329,106	\$ (240,894)
LGEA Funds	850	850	-	(850)
Interest Income	-	-	2	2
Total Revenues before Prior				
Year Fund Balance	<u>570,850</u>	<u>570,850</u>	<u>329,108</u>	<u>(241,742)</u>
<b><u>EXPENDITURES</u></b>				
Municipal Road Aid				
Road Expenses	<u>570,000</u>	<u>570,000</u>	<u>511,231</u>	<u>58,769</u>
Total Municipal Aid	<u>570,000</u>	<u>570,000</u>	<u>511,231</u>	<u>58,769</u>
Excess of Revenues over Expenditures	850	850	(182,123)	(182,973)
Other Financing Sources				
Transfer to/from General Fund	<u>-</u>	<u>-</u>	<u>154,997</u>	<u>154,997</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>154,997</u>	<u>154,997</u>
Excess of Revenues and Other Financing				
Sources Over Expenditures	570,000	570,000	(27,126)	597,126
Fund Balance, Beginning (Non-GAAP				
Budgetary Basis)	<u>-</u>	<u>-</u>	<u>67,789</u>	<u>67,789</u>
Fund Balance, Ending (Non-GAAP				
Budgetary Basis)	<u>\$ 850</u>	<u>\$ 850</u>	<u>\$ 40,663</u>	<u>\$ (115,184)</u>

**CITY OF SHIVELY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL- POLICE FORFEITURE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>REVENUES</u></b>				
Police Forfeiture				
State and Federal Forfeitures	\$ -	\$ -	\$ 113,900	\$ 113,900
Interest Income	-	-	4	4
Total Revenues before Prior				
Year Fund Balance	-	-	113,904	113,904
<b><u>EXPENDITURES</u></b>				
Police Forfeiture				
Police Forfeiture	-	-	129,275	(129,275)
Total Police Forfeiture	-	-	129,275	(129,275)
Excess of Revenues over Expenditures	-	-	(15,371)	(15,371)
Fund Balance, Beginning (Non-GAAP				
Budgetary Basis)	-	-	56,992	56,992
Fund Balance, Ending (Non-GAAP				
Budgetary Basis)	\$ -	\$ -	\$ 41,621	\$ 41,621

**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 1 - BUDGET VARIANCES**

**General Fund**

General fund revenues of \$11,600,616 were \$330,002 more than the \$11,270,614 budgeted. General fund revenues with positive revenue variances within investment income and insurance tax revenues. Revenue sources with budget shortfalls included governmental grants and whiskey tax.

For the year ended June 30, 2020, general fund expenditures \$13,236,450 were \$99,207 less than the \$13,362,657 budgeted. Actual expenditures were less than budgeted expenditures primarily due to expenditures being under budget in the fire department.

**Road Fund**

Road fund revenues of \$329,108 were \$241,742 less than budgeted revenues of \$570,850. Road fund expenditures of \$511,231 were \$58,769 less than budgeted expenditures of \$570,000.

**Police Forfeiture**

Police forfeiture revenue and expenditure are not budgeted for due to the unpredictable nature of the revenue. Police forfeiture revenue was \$113,900 with unbudgeted expenditures of \$129,275 for the year.

**CITY OF SHIVELY, KENTUCKY**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**JUNE 30, 2020**

**SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY**

<b>NON-HAZARDOUS</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013-2006</b>
City's proportion of net pension liability	0.0291%	0.0268%	0.0255%	0.0255%	0.0229	0.0205%	0.0203%	Chart to be expanded in future years to cover 10 year trend analysis.
City's proportionate share of the net pension liability	\$2,045,772	\$1,630,557	\$1,495,520	\$1,168,741	\$1,133,653	\$881,174	\$659,511	
City's covered-employee payroll	\$801,229	\$733,619	\$663,577	\$180,839	\$201,817	\$162,339	\$466,353	
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	255.33%	222.26%	225.37%	646.29%	561.72%	542.80%	141.42%	
Plan Fiduciary net position as a percentage of the total pension liability	46.63%	49.26%	49.78%	53.95%	59.35%	65.96%	66.80%	
<b>HAZARDOUS</b>								
City's proportion of net pension liability	0.7098%	0.6311%	0.5963%	0.5963%	0.5838%	42.2300%	0.5280%	
City's proportionate share of the net pension liability	\$19,605,668	\$15,265,179	\$13,341,988	\$10,506,712	\$8,308,865	\$6,483,745	\$6,345,732	
City's covered-employee payroll	\$4,182,255	\$4,035,921	\$3,516,090	\$3,995,295	\$2,263,660	\$2,160,445	\$2,674,333	
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	468.78%	378.23%	379.46%	262.98%	367.05%	300.11%	237.28%	
Plan Fiduciary net position as a percentage of the total pension liability	46.63%	49.26%	49.78%	53.95%	59.35%	65.96%	66.80%	

**CITY OF SHIVELY, KENTUCKY  
SCHEDULE OF CITY'S CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2020**

**SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS**

**NON-HAZARDOUS**

FY 2020 Contractually required contribution	\$ 118,974
FY 2020 Contribution in relation to the contractually required contribution	<u>(118,974)</u>
Contribution deficiency (excess)	<u>\$ -</u>

City's FY 2020 covered employee payroll	801,229
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Contributions as a percentage of covered-employee payroll	19.30%
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**SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS**

**HAZARDOUS**

FY 2020 Contractually required contribution	\$ 1,257,185
FY 2020 Contribution in relation to the contractually required contribution	<u>(1,257,185)</u>
Contribution deficiency (excess)	<u>\$ -</u>

City's FY 2020 covered employee payroll	4,182,255
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Contributions as a percentage of covered-employee payroll	30.06%
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**CITY OF SHIVELY, KENTUCKY**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION OPEB LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**JUNE 30, 2020**

**SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY OPEB**

<b>NON-HAZARDOUS</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
City's proportion of net pension liability	0.0291%	0.0268%	0.0255%	0.0255%
City's proportionate share of the net pension liability	\$489,112	\$475,332	\$495,520	\$402,886
City's covered-employee payroll	\$801,229	\$733,619	\$663,577	\$180,839
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	61.05%	64.79%	74.67%	222.79%
Plan Fiduciary net position as a percentage of the total pension liability	61.75%	64.24%	58.99%	66.25%
<b>HAZARDOUS</b>				
City's proportion of net pension liability	0.6312%	0.6312%	0.5963%	0.5963%
City's proportionate share of the net pension liability	\$5,250,193	\$4,500,414	\$3,341,988	\$2,945,794
City's covered-employee payroll	\$4,182,255	\$4,035,921	\$3,516,090	\$3,995,295
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	125.53%	111.51%	95.05%	73.73%
Plan Fiduciary net position as a percentage of the total pension liability	61.75%	64.24%	58.99%	66.25%

**CITY OF SHIVELY, KENTUCKY  
SCHEDULE OF CITY'S CONTRIBUTIONS OPEB  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2020**

**SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS**

**NON-HAZARDOUS**

FY 2020 Contractually required contribution	\$ 23,282
FY 2020 Contribution in relation to the contractually required contribution	<u>(23,282)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's FY 2020 covered employee payroll	489,112
Contributions as a percentage of covered-employee payroll	4.76%

**SCHEDULE OF CITY'S SHARE OF CONTRIBUTIONS**

**HAZARDOUS**

FY 2020 Contractually required contribution	\$ 429,581
FY 2020 Contribution in relation to the contractually required contribution	<u>(429,581)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's FY 2020 covered employee payroll	4,182,255
Contributions as a percentage of covered-employee payroll	9.52%



**CITY OF SHIVELY, KENTUCKY**  
**NOTES TO SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2020**

**NOTE A - ACCOUNTING POLICIES**

For purposes of determining the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits are recognized in the month they are earned, and withdrawals are recognized in the month they are due and payable. Plan investments are reported at fair value.

**NOTE B - CHANGES OF BENEFIT TERMS**

None

**NOTE C - CHANGES OF ASSUMPTIONS**

There were no changes of assumptions as of the June 30, 2019 valuation.

**NOTE D - MEASUREMENT DATE**

The measurement date of the net pension liability is one year preceding the fiscal year of the city.

# STUEDLE SPEARS & COMPANY PSC

CERTIFIED PUBLIC ACCOUNTANTS

2821 S. Hurstbourne Parkway  
Louisville, KY 40220  
Phone: 502.491.5253 · Fax: 502.491.5270

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Council  
City of Shively, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shively, Kentucky as of and for the year ended June 30, 2020, which collectively comprise the City of Shively, Kentucky's basic financial statements and have issued our report thereon dated November 17, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Shively, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Shively, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Shively, Kentucky's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned cost to be material weaknesses 2020-001, 2020-002, 2020-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be a *significant deficiency*.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Shively, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We did not identify any instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Shively, Kentucky's Response to Findings

City of Shively, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of comments and recommendations. City of Shively, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stuedle Spears & Company PSC*

STUEDLE SPEARS & COMPANY PSC  
November 17, 2021

# STUEDLE SPEARS & COMPANY PSC

CERTIFIED PUBLIC ACCOUNTANTS

2821 S. Hurstbourne Parkway  
Louisville, KY 40220  
Phone: 502.491.5253 · Fax: 502.491.5270

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and City Council  
City of Shively, Kentucky

### Report on Compliance for Each Major Federal Program

We have audited the City of Shively, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Shively, Kentucky's major federal programs for the year ended June 30, 2020. City of Shively, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Shively, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Shively, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Shively, Kentucky's compliance.

### Opinion on Each Major Federal Program

In our opinion, the City of Shively, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)**

**Report on Internal Control over Compliance**

Management of the City of Shively, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Shively, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Shively, Kentucky's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Stuedle Spears & Company PSC*

STUEDLE SPEARS & COMPANY PSC  
November 17, 2021

**CITY OF SHIVELY, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

GRANTOR/PROGRAM TITLE	<u>Federal CFDA Number</u>	<u>Pass/Through Contract Number</u>	<u>Grant Contract Period</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Federal Highway Administration Kentucky Transportation Cabinet Department of Rural and Municipal Aid Transportation Alternatives Program (TAP)	20.205	17*6015	7/1/2019- 6/30/2020	\$ -	\$ 981,986
Total federal awards expended				\$ -	\$ 981,986

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Shively, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

**Note 2 - Indirect Cost Rates**

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Note 3 - Pass through or contract numbers will be presented if available.

**CITY OF SHIVELY, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINDINGS RELATED TO FINANCIAL STATEMENTS**

**INTERNAL CONTROL- MATERIAL WEAKNESS**

**2020-01 The City Lacks Adequate Segregation of Duties**

**Condition:**

The City has not established adequate segregation of duties. These control deficiencies are present because one employee's duties include the ability to initiate transactions, record the transactions, reconcile the related accounting records, prepare deposits, and make deposits.

**Criteria:**

A segregation of duties over accounting functions or implementation of strong compensating controls when limited by office staff is essential to providing protection from asset misappropriation and/or inaccurate reporting. The risk of misappropriation and/or human error increases when one individual is given complete authority over all accounting processes. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

**Cause:**

Failure to segregate duties or implement compensating controls.

**Effect:**

Misappropriation of assets or error could occur and not be detected in a timely manner.

**Recommendation:**

In order to achieve a proper segregation of duties, related activities should be assigned to different individuals. Since budget restrictions may limit the number of staff the City can hire, it may not be feasible to segregate accounting duties to different individuals. We recommend that the City segregate duties or further implement compensating controls to mitigate the effects of the lack of adequate segregation of duties.

***Official's Response:***

*We feel engaging an independent CPA along with fiduciary duties being distributed to another employee, will increase compensating controls.*

**CITY OF SHIVELY, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COST (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)**

**INTERNAL CONTROL- MATERIAL WEAKNESS**

**2020-002 – Material Weakness – Audit Adjustments**

**Criteria:**

The City is required to have internal controls over the period-end financial reporting process that enables the City to record and process year-end journal entries to produce financial records that are in accordance with generally accepted accounting principles.

**Condition:**

Material misstatements were identified throughout the audit process.

**Cause:**

During the fiscal year, the City had complex activity related to change in accounting systems, change in payroll systems, and material grant funds. Inexperience with this type of activity resulted in the City's unadjusted financial statements being materially misstated.

**Effect:**

Material audit adjustments were required so that the City's financial statements were fairly stated.

**Recommendation:**

We recommend the City review its controls over the fiscal year-end financial reporting process. We recommend when management encounters unusual or complex financial activity, that they engage a consultant to help management identify adjustments required so that its financial statements are fairly presented.

***Official's Response:***

*We will in the future conversions make sure to have a trained consultant assist.*



**CITY OF SHIVELY, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COST (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)**

**INTERNAL CONTROL- MATERIAL WEAKNESS**

**2020-003 -Bank Reconciliations**

**Criteria:**

The City's internal control requires that all bank accounts are reconciled to the City's financial records monthly.

**Condition:**

Bank accounts were not reconciled for several months and some transactions were not recorded accurately.

**Cause:**

The City's internal controls were disrupted by changing personnel roles and the COVID-19 pandemic resulting in lockdowns.

**Effect:**

Auditors identified several bank accounts that were not reconciled timely. Audit adjustments were needed in order for the City's fiscal year end financial statements to be fairly presented.

**Recommendation:**

We recommend that the City take steps to ensure that all bank accounts are reconciled monthly, and that all financial activity is recorded accurately.

***Official's Response:***

*The city is committed to monthly reporting being completed in timely manner. A CPA will be hired on hourly basis to assist, on a quarterly basis at the minimum.*